

Inspector General

United States

Department *of* Defense



Defense Finance and Accounting Service
Needs to Improve Controls Over the
Completeness and Accuracy of the
Cash Management Report

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Acronyms and Abbreviations

CMR	Cash Management Report
DFAS	Defense Finance and Accounting Service
FBWT	Fund Balance with Treasury
HQARS	Headquarters Accounting and Reporting System
LOA	Line of Accounting
NSA	National Security Agency
ODO	Other Defense Organization
OSD	Office of the Secretary of Defense
PBAS	Program Budget Accounting System
TI	Treasury Index



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

August 15, 2011

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DIRECTOR, FINANCIAL IMPROVEMENT AND AUDIT
READINESS, UNDER SECRETARY OF DEFENSE
(COMPTROLLER)

SUBJECT: Defense Finance and Accounting Service Needs to Improve Controls Over the
Completeness and Accuracy of the Cash Management Report (Report No.
D-2011-098)

We are providing this report for your information and use. The Cash Management Report was not complete or accurate. We identified deficiencies in the Cash Management Report that significantly undermine the reliability of the Cash Management Report as a reconciliation tool and negatively affect the Other Defense Organizations' ability to obtain a favorable financial statement audit opinion. As of September 30, 2009, DoD reported \$80.3 billion in Fund Balance with Treasury on the Other Defense Organizations' General Fund Balance Sheet. We considered management comments on a draft of the report in preparing the final report.

Comments on the draft of this report conformed to the requirements of the DoD Directive 7650.3 and left no unresolved issues. Therefore, we do not require any additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8905 (DSN 664-8905).

Amy J. Frontz
Principal Assistant Inspector General
for Auditing



Results in Brief: Defense Finance and Accounting Service Needs to Improve Controls Over the Completeness and Accuracy of the Cash Management Report

What We Did

We assessed the completeness and accuracy of the Cash Management Report. This is the first of two reports relating to the reconciliation of Fund Balance with Treasury for the Other Defense Organizations (ODOs). As of September 30, 2009, DoD reported \$80.3 billion in Fund Balance with Treasury on the ODO General Fund Balance Sheet.

What We Found

The Cash Management Report was not complete or accurate. Specifically, the Director, Defense Finance and Accounting Service (DFAS) Indianapolis did not attribute approximately \$10.5 billion in transactions to the ODO responsible for reconciling and accounting for the transactions. This occurred because:

- DFAS Indianapolis did not properly research and resolve variances on a regular and recurring basis,
- ODO submitters did not always report transactions to DFAS Indianapolis with valid lines of accounting, and
- DFAS Indianapolis did not establish a process for communicating with the ODO submitters.

As a result, the ODOs reconciled their Fund Balance with Treasury general ledger accounts to the Cash Management Report, which in aggregate, did not match the amounts reported by the U.S. Treasury. Because the ODOs must rely on the amounts on the Cash Management Report as a control total for reconciling to the U.S. Treasury, these unreconciled variances seriously undermine the reliability of the Cash Management Report as a reconciliation tool and impede the auditability of the ODO Fund

Balance with Treasury accounts. This has a significant negative effect on an ODO's ability to obtain a favorable financial statement audit opinion unless adequate compensating controls are implemented.

What We Recommend

DFAS Indianapolis addressed some of the deficiencies identified during this audit. The Director, DFAS Indianapolis should:

- implement written procedures to reconcile variances between the Cash Management Report and the U.S. Treasury,
- establish an integrated working group to resolve issues affecting the completeness and accuracy of the Cash Management Report, and
- research and correct transactions held in suspense accounts in a timely manner.

The Director, Financial Improvement and Audit Readiness, Under Secretary of Defense (Comptroller) should monitor the progress of the integrated working group and ensure all personnel responsible for reporting ODO transactions to DFAS Indianapolis are fully participating.

Management Comments and Our Response

We received comments from the Director, DFAS Indianapolis and the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller). All comments were fully responsive to the recommendations. Therefore, no additional comments are required. Please see the recommendations table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, Defense Finance and Accounting Service Indianapolis		1.a, 1.b, 1.c, 1.d, 1.e, 1.f
Director, Financial Improvement and Audit Readiness, Under Secretary of Defense (Comptroller)		2

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Introduction

Objective

The audit objective was to assess the completeness and accuracy of the Cash Management Report (CMR) and determine whether an adequate audit trail exists to enable a transaction-level Fund Balance with Treasury (FBWT) reconciliation. In addition, it was to assess the Other Defense Organizations (ODOs) FBWT reconciliation process. This is the first of two reports relating to the reconciliation of FBWT for the ODOs. This report addresses the completeness and accuracy of the CMR. The second report will include our assessment of the adequacy of audit trails and will address the ODOs FBWT reconciliation processes.

Background

FBWT is an asset account that reflects the available budgetary spending authority of a Federal agency. At the agency level, FBWT is an accumulation of the transactions recorded in the U.S. Government Standard General Ledger Account 1010, “Fund Balance with Treasury,” and any related subaccounts. The following are typical transactions that affect an agency’s FBWT general ledger account.

- Appropriations increase FBWT. They are the statutory authority to incur obligations and to make payments out of the U.S. Treasury. They are subject to limitations that restrict the period of availability of the funds.
- Collections increase FBWT. The three types of collections are receipts, reimbursements, and refunds.
- Disbursements reduce FBWT. Disbursements are payments to individuals or organizations for goods furnished or services rendered. They can also be made to transfer funds from one appropriation or fund to another.

As of September 30, 2009, DoD reported \$80.3 billion in FBWT on the ODO General Fund Balance Sheet. This represented 94.5 percent of the Total Intragovernmental Assets and 68.9 percent of the Total Assets reported on the ODO General Fund Balance Sheet. In addition, the \$80.3 billion reported in FBWT on the ODO General Fund Balance Sheet represented approximately 8.5 percent of the Total Intragovernmental Assets and 4.5 percent of the Total Assets reported on the DoD Agency-Wide Balance Sheet.

FBWT Reconciliation Requirements

The reconciliation of the FBWT account is a key internal control process to help identify unauthorized and unrecorded transactions. Timely and effective reconciliations decrease the risk of fraud, waste, and mismanagement of funds and enhance the Government’s ability to monitor budget execution. The Treasury Financial Manual, volume 1, part 2, chapter 5100, “Reconciling Fund Balance with Treasury Accounts,” October 1999, requires that agencies reconcile their FBWT accounts on a regular basis to ensure the integrity and accuracy of financial report data. Specifically, an agency’s FBWT reconciliation should include a comparison of transactions at a

level of detail sufficient for specific identification of differences to establish that the entity's FBWT general ledger accounts and the corresponding balance in the U.S. Treasury accounts are accurately stated.

DoD Regulation 7000.14-R, "Financial Management Regulation," volume 4, chapter 2, "Accounting for Cash and Fund Balances with Treasury," December 2009, requires that agencies explain any discrepancies between the FBWT in their general ledger accounts and the corresponding balance in the U.S. Treasury accounts. However, I TFM 2-5100, "A Supplement to the Treasury Financial Manual," November 1999, prohibits agencies from arbitrarily adjusting their FBWT accounts. Along with the I TFM 2-5100, the Financial Management Regulation states that agencies should maintain detailed reconciliation worksheets that, if needed, can be reviewed by management, auditors, or the U.S. Treasury.

The Other Defense Organizations

ODOs are entities authorized by the Secretary of Defense to perform select consolidated support and service functions to the DoD on a Department-wide basis. These support and service functions include providing military intelligence to the warfighter, defending the U.S. against enemy ballistic missiles, providing the DoD enterprise infrastructure, and maintaining the technological superiority of the U.S. military. ODOs are included in U.S. Treasury Index (TI) 97, an aggregate account that does not provide identification of the separate ODOs sharing the U.S. Treasury account.¹ Since there are 54 individual ODO general fund entities comprising TI 97, each ODO's fund balance in the U.S. Treasury account is indistinguishable from the fund balances of other ODOs. As a result, the DoD uses unique codes, called limits, to identify, manage, and report the financial activity of each individual ODO. For U.S. Treasury reconciliation purposes, the balances of the TI 97 limits must be added together and reconciled to the balance in the corresponding U.S. Treasury account.

Defense Finance and Accounting Service and the Cash Management Report

Defense Finance and Accounting Service (DFAS) Indianapolis uses a departmental system called Headquarters Accounting and Reporting System (HQARS) to receive, validate, and consolidate budget execution, expenditure, and general ledger balances for the ODOs. The information passes through the HQARS edit tables to check for invalid appropriations, duplicate inputs, and line of accounting (LOA)² errors. Among other things, DFAS Indianapolis uses the information from HQARS and funding information contained in the Program Budget and Accounting System³ (PBAS) to create the CMR on a monthly basis.

¹The U.S. Treasury maintains and reports FBWT at the appropriation level to include only the TI, fiscal year, and basic symbol. The fiscal year designates the years the funds are available for obligation. The basic symbol identifies the types of funds being used.

²The fiscal year and basic symbol, when in conjunction with the limit, represent the basic line of accounting for ODO transactions.

³DoD fund managers receive funding through U.S. Treasury Appropriation Warrants and non-expenditure transfers. The fund managers then load the funding amounts into PBAS and release the funding to the ODOs through Funding Authorization Documents.

The CMR is similar to the account summary that a commercial bank reports on a customer's individual monthly bank statement. Unlike a monthly bank statement, the CMR does not contain a list of the individual transactions charged to the account during the month. Instead, the CMR reports summary amounts for each appropriation at the fiscal year, basic symbol, limit level. The ODOs use the amounts on the CMR as a control total for reconciling to the U.S. Treasury. The ending FWT amounts reported on the CMR for each appropriation are the sum of the beginning FWT amounts, current fiscal year funding issued through Program Budget Accounting System, and the disbursement and collection transactions processed during the current fiscal year-to-date. If an appropriation has been open for more than one year, the ending FWT amount will contain funding, disbursement, and collection transactions from multiple fiscal years. Figure 1 shows the December 2009 CMR for the Defense Information Systems Agency.

Figure 1. Example of the Cash Management Report

Cash Management Report											December 2009
Dept/FY/BS/Limit											
Submitter	Exp Type	Beginning FWT	PBAS CFY Funding	Disb CM	Coll CM	Disb FYTD	Coll FYTD	Prior PD Adj Disb	Prior PD Adj Coll	Ending FWT	
CL	Cash		-	\$44,749,659		\$202,033,054					(\$202,033,054)
DE	Cash		-	1,177,088		4,220,271					(4,220,271)
IN	Cash	\$431,994,739	-	10,342,643	(\$11,841,336)	36,759,007	(\$27,885,643)				423,121,376
ST	Cash		-	55,142	35,641	174,815	16,822	(\$45,715)	\$45,715		(191,637)
Total*		\$431,994,739	-	\$56,324,531	(\$11,805,695)	\$243,187,147	(\$27,868,821)	(\$45,715)	\$45,715		\$216,676,414

*The total amounts in Figure 1 may not sum due to rounding errors.

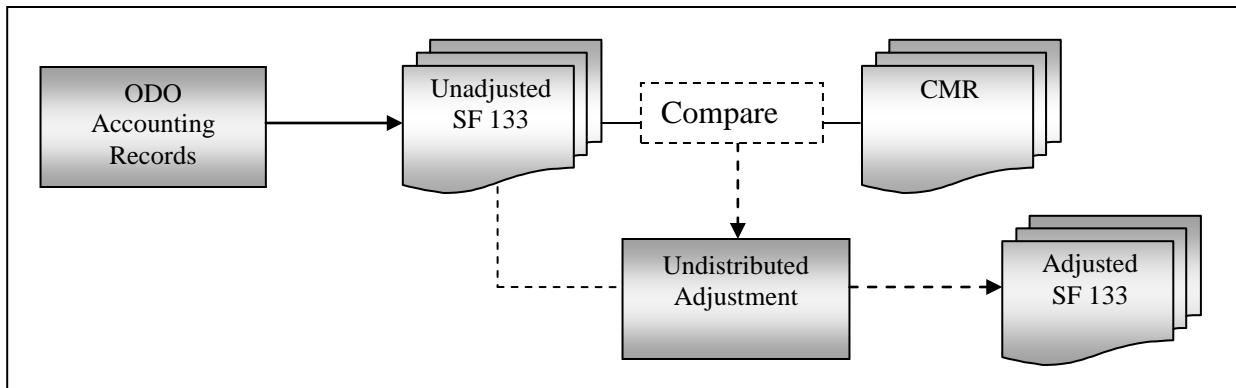
Note: Figure 1 is an excerpt from the December 2009 CMR, which was provided by DFAS Indianapolis personnel.

Report on Budget Execution and Trial Balance Adjustments

Each accounting office supporting the ODOs prepares a Report on Budget Execution and Budgetary Resources (SF 133)⁴ based on the data reported in the ODO's accounting records. The accounting office submits the SF 133 to DFAS Indianapolis. DFAS Indianapolis compares disbursement and collection amounts on the SF 133 to the corresponding amounts reported on the CMR for that specific ODO. DFAS Indianapolis then processes an adjustment to force the amounts reported on the SF 133 to agree with the disbursement and collection amounts reported on the CMR. The flowchart in Figure 2 shows the SF 133 adjustment process.

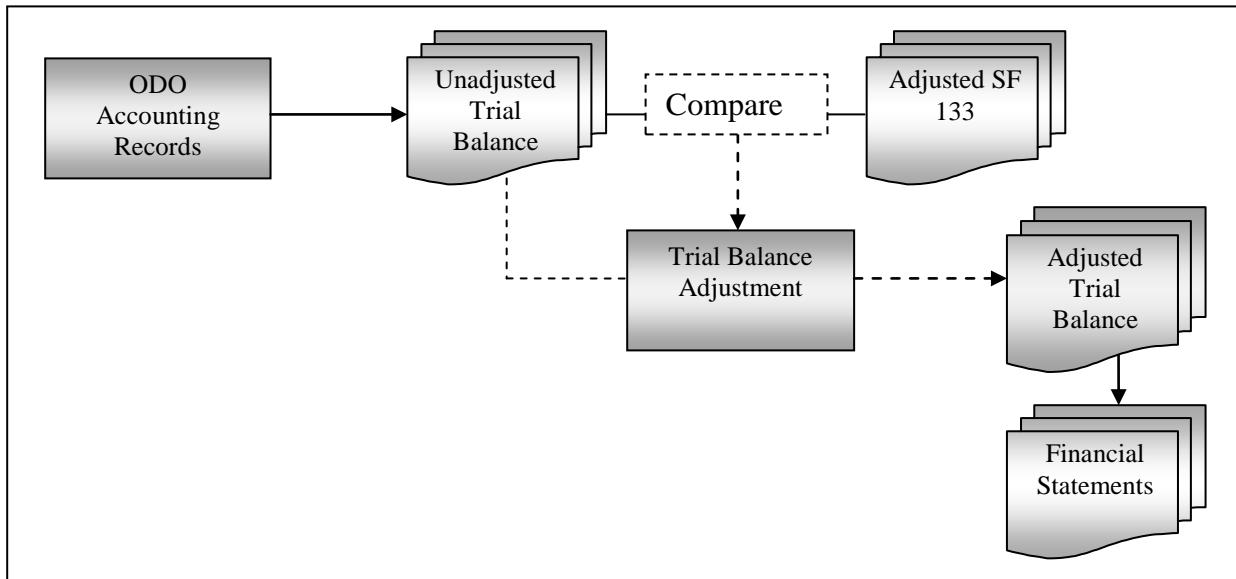
⁴The SF 133 provides the budgetary resources, obligation, disbursement, and collection data reported in the accounting records.

Figure 2. SF 133 Adjustment Process



The accounting offices also prepare trial balances based on the data in the ODO's accounting records and submits the trial balances to DFAS Indianapolis. DFAS Indianapolis compares disbursement and collection amounts on the ODO's trial balances to corresponding amounts on the adjusted SF 133s. DFAS Indianapolis processes adjustments to force the amounts reported on the trial balances to agree with the amounts reported on the adjusted SF 133s. DFAS Indianapolis consolidates all of the individual adjusted trial balances to produce the ODO General Fund financial statements. The flowchart in Figure 3 shows the trial balance adjustment process.

Figure 3. Trial Balance Adjustment Process



Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," July 29, 2010, requires DoD organizations to establish a Managers' Internal Control Program to identify and promptly correct ineffective internal controls, and when warranted, establish internal controls. We identified internal control weaknesses in the DFAS CMR process. Internal controls were not

adequate to ensure that the CMR was complete and accurate. Specifically, DFAS Indianapolis did not properly research and resolve amounts that the CMR did not charge to a specific ODO on a regular and recurring basis; ODO submitters did not report transactions to DFAS Indianapolis with valid LOAs; and DFAS Indianapolis did not establish a process for communicating with ODO submitters to resolve outstanding and emerging issues in the reporting process. We will provide a copy of the report to the senior official responsible for DFAS internal controls.

Finding. The Cash Management Report was Incomplete and Inaccurate

The Cash Management Report (CMR) was not complete or accurate. Specifically, the CMR did not attribute approximately \$10.5 billion in transactions to the Other Defense Organizations (ODOs) responsible for reconciling and accounting for the transactions. The \$10.5 billion consisted of:

- \$9.04 billion in variances between the amounts reported on the CMR and the amounts reported by the U.S. Treasury, of which \$517 million existed prior to October 2004,
- \$704.5 million in disbursements and collections reported on the CMR that were not charged to the specific ODOs that were responsible for the transactions, and
- \$749.1 million in disbursement and collection transactions that Defense Finance and Accounting Service (DFAS) Indianapolis did not include on the CMR because the transactions were being held in suspense accounts as a result of not having the necessary information to properly record the transactions.

These deficiencies occurred because DFAS Indianapolis did not establish processes, as required by the U.S. Treasury, to properly research and resolve amounts that the CMR did not charge to a specific ODO on a regular and recurring basis; ODO submitters did not report transactions to DFAS Indianapolis with valid Lines of Accounting (LOAs), which are necessary to accurately charge the ODO responsible for reconciling and accounting for the transactions; and DFAS Indianapolis did not establish a process for communicating with ODO submitters to resolve outstanding and emerging issues in the reporting process. Because the ODOs use the amounts on the CMR as a control total for reconciling to the U.S. Treasury, these unresolved variances undermine the reliability of the CMR as a Fund Balance with Treasury (FBWT) reconciliation tool. In addition, FBWT is the largest line item on the ODO General Fund financial statements. Therefore, until adequate compensating controls are implemented, these deficiencies will also have a significant negative effect on an ODO's ability to obtain a favorable financial statement audit opinion.

Effect of an Incomplete and Inaccurate Cash Management Report

The transactions for the 54 ODOs are commingled in the U.S. Treasury Index (TI) 97 account. As a result, the ODOs cannot reconcile their FBWT general ledger accounts directly to amounts reported by the U.S. Treasury. DFAS Indianapolis developed the CMR to allocate the U.S. Treasury totals to the individual ODOs. The ODOs then use the amounts on the CMR as a control total for reconciling to the U.S. Treasury. However, when added together, the amounts reported on the CMR for the 54 ODOs do not match the amounts reported by the U.S. Treasury. This means that some transactions reported to the U.S. Treasury were not reported on the CMR. Because the U.S. Treasury does not track which ODO is responsible for the transactions recorded in the TI 97 account, it is impossible to determine which ODO's CMR amounts are incomplete or inaccurate. As a result, even if an ODO was able to reconcile its FBWT general ledger account to the CMR at the transaction-level, there is still a risk that the reconciliation did not

include material amounts that should have been charged to their agency. An incomplete or inaccurate FBWT reconciliation prevents unauthorized transactions from being detected, which increases the risk of fraud, waste, and mismanagement.

U.S. Treasury Variances Need to be Reconciled

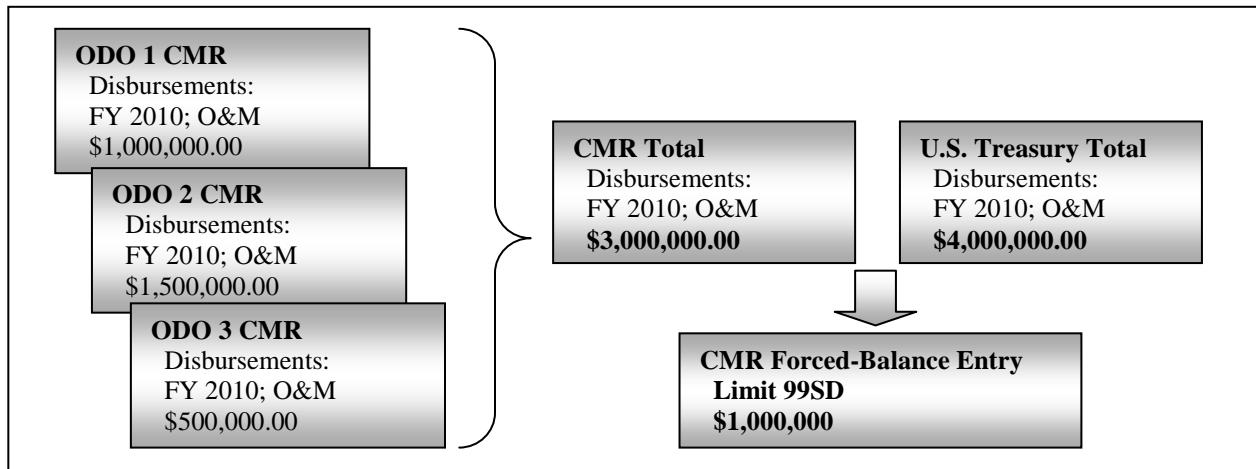
The CMR was not complete because DFAS Indianapolis did not establish adequate procedures to reconcile and resolve over \$9.04 billion in variances between amounts reported on the CMR and amounts reported by the U.S. Treasury. Instead, DFAS Indianapolis posted adjustments to the CMR to force the report to balance to amounts reported by the U.S. Treasury. However, DFAS Indianapolis could not provide adequate reconciliations to identify the causes of the variances or support the adjustments made to the CMR.

Forced-Balance Entries Required to Match U.S. Treasury

DFAS Indianapolis posts forced-balance entries to the CMR to bring the totals reported on the CMR into agreement with the totals reported by the U.S. Treasury. The Headquarters Accounting and Reporting System (HQARS) systematically totals the disbursement transactions reported on the CMR for all ODOs to calculate the total disbursement transactions for each appropriation at the fiscal year, basic symbol level. HQARS performs a similar calculation for collection and funding transactions. HQARS then compares the CMR totals to the total amounts reported by the U.S. Treasury. DFAS Indianapolis eliminates any calculated variances by posting forced-balance entries to the CMR.⁵ Figure 4 shows how HQARS calculates a CMR forced-balance entry to bring the total disbursements reported on the CMR for the FY 2010, Operation and Maintenance (O&M) appropriation into agreement with the amount reported by the U.S. Treasury.

DFAS Indianapolis eliminates any calculated variances by posting forced-balance entries to the CMR.

Figure 4. Calculation of the Limit 99SD CMR Forced-Balance Entry



⁵The forced-balance entries are reported in the following limits on the CMR: 99SD for disbursement variances; 99SC for collection variances; 99UF for funding variances; and 99SA for disbursement, collection, and funding variances from prior to October 2004.

Adequacy of Support for U.S. Treasury Variances

There were \$8.52 billion in variances between the amounts reported on the December 2009 CMR and the amounts reported by the U.S. Treasury. Figure 5 shows the allocation of the \$8.52 billion in variances.

Figure 5. Variances between the Amounts Reported on the December 2009 CMR and the Amounts Reported by the U.S. Treasury

Limit	Transaction Type	Amount (billions)
99SD	Disbursement	\$.09
99SC	Collection	.03
99UF	Funding	8.40
Total		\$8.52

The variances shown in Figure 5 indicate that a difference exists between the amounts reported on the CMR and the amounts reported by the U.S. Treasury. DFAS Indianapolis must perform a reconciliation to determine whether there is a valid explanation for the variances or whether the variances are the result of accounting errors. We requested that DFAS Indianapolis personnel provide the detailed reconciliations to explain the variances and support the forced-balance entries made to the amounts reported on the CMR. DFAS Indianapolis personnel acknowledged that they could rarely resolve disbursement and collection variances reported in limits 99SD and 99SC at the limit level. They stated that they were unaware of any attempts to reconcile the funding variances reported in limit 99UF. DFAS Indianapolis personnel also stated that the variances between the CMR and the U.S. Treasury occurred because submitters either reported the transactions:

- to the U.S. Treasury with one period of availability⁶ and reported the same transactions to DFAS Indianapolis with a different period of availability, or
- to DFAS Indianapolis, but did not accurately establish the transactions as disbursements, refunds, receipts, or collections.

In order to ensure the amounts on the CMR reconcile to the amounts reported by the U.S. Treasury, DFAS Indianapolis personnel should develop and implement written procedures to reconcile and resolve the variances reported in limits 99SD, 99SC, and 99UF on a monthly basis. In addition, DFAS

DFAS Indianapolis personnel acknowledged that they could rarely reconcile disbursement and collection variances reported in limits 99SD and 99SC at the limit level.

Indianapolis should maintain and be able to readily provide the detailed documentation supporting the reconciliations, as required by the U.S. Treasury Financial Manual. Without a detailed reconciliation of the variances, DFAS Indianapolis personnel has no assurance that the CMR was not misstated by \$8.52 billion. Therefore, any ODO that reconciles its ending FBWT

⁶Appropriations have a specified period of availability during which an agency may use the budget authority to incur original obligations. The period of availability may be for a single fiscal year or for multiple fiscal years.

to the amounts charged to it on the CMR may be reconciling to incomplete amounts and inaccurately adjusting its FBWT accounts.

Old U.S. Treasury Variances Have Not Been Resolved

In addition to the variances reported in limits 99SD, 99SC, and 99UF, the CMR reported a \$517 million variance in limit 99SA. Prior to October 2004, HQARS consolidated disbursement, collection, and funding variances into one account, limit 99SA. DFAS personnel stated that the variances in limit 99SA were inherited from former FBWT processes and have remained unchanged. However, the variances, even if unchanged, represent a material amount of the difference between the CMR and the U.S. Treasury (\$517 million of the \$9.04 billion). In addition, the majority of the variances in limit 99SA are “no-year funds” which do not expire. Therefore, there is no definitive time when these variances would cease to negatively impact the reliability of the ODO FBWT accounts and the reliability of the CMR. DFAS Indianapolis personnel stated that researching and resolving the variances reported in limit 99SA would be extremely difficult because the variances were inherited from former processes and do not expire. However, a proper reconciliation of limit 99SA may potentially identify funding that could be available for future spending. If DFAS Indianapolis cannot charge the variances in limit 99SA to the responsible ODO, DFAS Indianapolis should coordinate with the Director, Financial Improvement and Audit Readiness, Office of the Under Secretary of Defense (Comptroller) to develop a comprehensive plan for remediating the variances reported in limit 99SA.

DFAS Indianapolis personnel stated that researching and resolving the variances reported in limit 99SA would be extremely difficult because the variances were inherited from former processes and do not expire.

Transactions Need to be Charged to an Other Defense Organization

The CMR was not accurate because DFAS Indianapolis did not establish adequate procedures to reconcile and resolve \$704.5 million of disbursement and collection transactions reported in the undistributed limits. Undistributed limits are used to record transactions that do not have all of the information necessary for HQARS to charge the transactions to one of the 54 ODOs on the CMR. The transactions will remain in the undistributed accounts until they can be researched, resolved, and charged to the ODO responsible for accounting for the transactions. Transactions in the undistributed limits undermine the integrity of the CMR and the reliability of any attempts to reconcile the FBWT general ledger accounts to the CMR. DFAS Indianapolis personnel stated that the primary cause of the undistributed limits was that submitters reported transactions to DFAS Indianapolis with invalid or unfunded LOAs.

Negative Effect of Undistributed Limits on the CMR

Transactions in the undistributed limits resulted in misstatements of the amounts reported on the CMR. The December 2009 CMR reported \$704.5 million of disbursement and collection

transactions in the undistributed limits. Reasons why transactions were reported in an undistributed limit instead of to the limits for the 54 ODOs include:

- Submitters reported transactions that did not contain a valid LOA or reported transactions with LOAs that have not been funded in the Program Budget Accounting System (PBAS).
- Submitters reported transactions with an undistributed limit to, according to DFAS Indianapolis, avoid researching the transactions to identify the correct LOAs.
- DFAS Indianapolis did not update the edit tables in HQARS in a timely manner.

Any transaction in an undistributed limit will directly result in a misstatement because the transaction will not be charged to the ODO responsible for reconciling and accounting for the transaction. Transactions in the undistributed limits undermine the integrity of the CMR and the reliability of any attempts to reconcile the FWT general ledger accounts to the CMR.

Transactions in the undistributed limits undermine the integrity of the CMR and the reliability of any attempts to reconcile the FWT general ledger accounts to the CMR.

Primary Cause of Amounts in the Undistributed Limits

DFAS Indianapolis personnel stated that transactions were reported in the undistributed limits primarily because submitters reported the transactions with either an invalid or unfunded LOA. DFAS Indianapolis personnel further stated that DFAS Cleveland's use of subheads, rather than Office of the Secretary of Defense (OSD) limits, is a primary reason why transactions were submitted with invalid or unfunded LOAs.⁷ Because DFAS Cleveland disburses and collects on behalf of the ODOs, TI 97 transactions submitted to DFAS Indianapolis with invalid LOAs will not have sufficient information to charge the correct ODO and accurately report on the CMR. Prior to March 2010, DFAS Cleveland submitted all ODO transactions to DFAS Indianapolis with only the Navy subhead and a distribution file to convert the Navy subhead back to the original OSD limit. DFAS Indianapolis then used the data in the "distribution file" to update the edit tables in HQARS. If the distribution file contained an incorrect conversion or if DFAS Cleveland did not report an accurate subhead, the transactions would default to an undistributed limit.

In March 2010, to reduce the number of errors in the Navy subhead conversion process, DFAS Cleveland converted the Navy subheads to OSD limits before reporting the transactions to DFAS Indianapolis. Even though DFAS Cleveland began submitting the OSD limits in addition to the Navy subheads in March 2010, DFAS Indianapolis personnel were not aware that DFAS Cleveland was providing the OSD limits until we informed them of the change in July 2010. DFAS Indianapolis personnel reviewed the updated file and determined that the inclusion of the OSD limits was an improvement over the former process; however, they stated that the source

⁷OSD issues funding at the four digit limit level. DFAS Cleveland converted the funded OSD limit to a Navy subhead to allow the Navy the ability to issue funding at the project level. The subhead must be converted back to the original limit when reporting to OSD.

file provided by DFAS Cleveland still contained multiple errors. For example, the source file converted various Navy subheads to limits that were not valid, funded OSD limits.

DFAS Indianapolis should establish an integrated working group to resolve any ongoing or emerging issues affecting the completeness and accuracy of the CMR. The working group should include representatives from all of the offices responsible for submitting the ODO disbursement and collection transactions to DFAS Indianapolis to be reported on the CMR. The group should be monitored by the Director, Financial Improvement and Audit Readiness, Office of the Under Secretary of Defense (Comptroller), to ensure all representatives are fully participating. In addition, DFAS Indianapolis should consistently communicate with DFAS Cleveland to resolve all outstanding undistributed balances resulting from Navy subhead conversions and to timely address any new problems that may occur.

Suspense Accounts Need to be Researched and Resolved

The CMR was not complete because it did not contain the transactions held in the TI 97 suspense accounts. Suspense accounts are intended to temporarily hold disbursement and collection transactions until the transactions' proper appropriations are identified. If transactions in the suspense accounts are not routinely researched and corrected, transactions will continue to accumulate in the accounts making the likelihood of timely resolution more remote. DFAS Indianapolis personnel attributed most of the transactions in the suspense accounts to the National Security Agency (NSA). Failure to properly report and reconcile these transactions undermines the reliability of both the CMR and the amounts reported in the ODO accounting records.

Suspense Account Amounts Excluded from the CMR

The CMR did not contain approximately \$749.1 million of disbursement and collection transactions held in the TI 97 suspense accounts. The suspense accounts were used to record transactions when the submitters did not provide all of the necessary information to assign the transactions to the proper appropriation at the fiscal year, basic symbol level. Consequently, DFAS Indianapolis could not report the amounts on the CMR and, therefore, was not able to charge the transactions to the ODOs responsible for reconciling and accounting for the transactions.

Primary Causes of Amounts in the ODO Suspense Accounts

DFAS Indianapolis personnel stated that \$10.6 million of the transactions in the TI 97 suspense accounts primarily resulted from timing differences and edit errors. DFAS Indianapolis personnel attributed the remaining \$738.5 million in suspense account balances to NSA and stated that NSA personnel were taking the necessary steps to resolve the amounts in the suspense accounts by June 2010. We confirmed with NSA personnel that they were responsible for the majority of the transactions in the TI 97 suspense accounts. They stated that the transactions were a result of an error in the NSA accounting system. According to NSA personnel, NSA processed an adjustment in September 2010 to clear the accounts. NSA personnel also stated that reducing the transactions in the TI 97 suspense accounts was a large undertaking and that they are trying to finalize the reconciliations. To ensure transactions on the CMR are reported on the CMR for FBWT reconciliation purposes, DFAS Indianapolis, with necessary support from

the ODOs, should research and correct any transactions held in the suspense accounts in a timely manner.⁸ Failure to properly report and reconcile these transactions undermines the reliability of both the CMR and the amounts reported in the ODO accounting records.

Previous Write-Offs of Amounts in the ODO Suspense Accounts

DFAS performed periodic write-offs for suspense account transactions that could not be resolved because of insufficient supporting documentation. We requested that DFAS Indianapolis personnel provide the dates and the amounts of suspense account write-offs that occurred within the last 10 years. In response to our request, DFAS Indianapolis personnel provided documentation showing that eight write-offs, totaling \$84.8 million, occurred between July 2004 and September 2007. One of the write-offs, totaling \$72.9 million, occurred in September 2007. While the write-offs reduce the dollar value of the transactions recorded in the suspense accounts, they do not ensure proper accounting of those transactions. When transactions are not properly reported in the ODO accounting records, the reported amount of funding available for agency operations will be misstated. Misstatements in available funding negatively impact the reliability of the financial statements and put the ODOs at risk for committing Antideficiency Act violations. Improved procedures for researching and correcting transactions in suspense accounts should reduce the need for future write-offs of suspense account transactions.

Adequacy of Other Defense Organizations' Fund Balance with Treasury Reconciliations

This audit report addresses the summary amounts reported on the CMR. Therefore, we focused on the DFAS Indianapolis processes used for creating the CMR and ensuring the control totals on the CMR were being attributed to an ODO. We will issue a separate report on our assessment of the adequacy of audit trails, the adequacy of the ODOs' FBWT reconciliation processes, and any improvements that DFAS Indianapolis has made in the processes used to retrieve the detail transactions supporting the summary amounts reported on the CMR.

DFAS Indianapolis Efforts to Resolve Deficiencies

DFAS Indianapolis began to address the deficiencies identified in this report after we briefed them in July 2010. DFAS Indianapolis stated that they have:

- Determined that \$2.5 billion in variances (Limit 99UF) between the funding reported by the U.S. Treasury and the funding reported on the CMR was a result of the U.S. Government operating under a Continuing Resolution in December 2009.⁹
- Identified and corrected a \$104.2 million error from September 1999 that affected both the U.S. Treasury variances (Limit 99SA) and the transactions reported in the undistributed limits (Limit 9999).

⁸DFAS Indianapolis' ability to research and correct transactions held in suspense accounts is contingent upon the sensitivity of the accounting data.

⁹A Continuing Resolution is a type of appropriations legislation used by the United States Congress to fund government agencies if a formal appropriations bill has not been signed into law by the end of the Congressional fiscal year.

- Discovered that the CMR reported transactions that were being held in a burdensharing cash account, which should be excluded from the CMR. DFAS Indianapolis' correction of this error decreased the undistributed limits (Limits 9999, F999, and N999) by \$459.2 million.

In addition to the \$2.5 billion in funding variances that DFAS Indianapolis determined was caused by the Continuing Resolution, DFAS Indianapolis stated that they identified funding data that was sent to the U.S. Treasury after the CMR had been generated for that month, causing billions of dollars in funding variances between the U.S. Treasury and the CMR. To ensure all funding data is captured each month on the CMR, DFAS Indianapolis postponed the date that the CMR is generated. DFAS Indianapolis personnel stated that by delaying the date they produce the CMR and identifying the \$2.5 billion in variances caused by the Continuing Resolution, they should be able to eliminate a significant portion of the funding variances between the U.S. Treasury and the CMR (Limit 99UF). The commitment by DFAS Indianapolis to promptly resolve the deficiencies we identified during the audit will enhance the completeness and accuracy of the summary amounts reported on the CMR. DFAS Indianapolis stated that, as of February 2011, they reduced the U.S. Treasury variance to approximately \$1.1 billion, the undistributed limits to \$142.6 million, and the transactions reported in the ODO suspense accounts for more than 30 days to \$443 thousand. Implementing the recommendations in this report should further improve the reliability of the CMR as a FBWT reconciliation tool for the ODOs. In addition, DFAS Indianapolis should report quarterly to the Director, Financial Improvement and Audit Readiness, Office of the Under Secretary of Defense (Comptroller), on its progress in resolving the deficiencies listed in this report.

Conclusion

The deficiencies identified in this report will continue unless DFAS Indianapolis develops adequate controls over the ODO FBWT process. The amounts in variances and undistributed limits primarily resulted because DFAS Indianapolis did not establish sufficient processes for researching and resolving variances on a regular and recurring basis; ODO submitters did not always report transactions with a valid LOA; and DFAS Indianapolis did not establish a process for communicating with ODO submitters to resolve outstanding and emerging issues in the reporting process. As a result, the ODOs reconciled their FBWT general ledger accounts to the CMR; which in aggregate, did not match the amounts reported by the U.S. Treasury. Despite DFAS Indianapolis' notable efforts to resolve the identified deficiencies, there are still \$1.24 billion in funding, disbursement, and collection transactions that are not being charged to an ODO. Therefore, even if the ODOs reconciled to the complete universes of disbursement, collection, and funding transactions supporting the summary amounts on the CMR, the ODOs still risk reconciling to unreliable amounts. This ultimately undermines the reliability of the CMR as a reconciliation tool and impedes the auditability of the ODO FBWT accounts; which will have a significant negative effect on an ODO's ability to obtain a favorable financial statement audit opinion unless adequate compensating controls are implemented.

Recommendations, Management Comments, and Our Response

1. We recommend that the Director, Defense Finance and Accounting Service Indianapolis:

- a. Develop and implement written procedures to routinely reconcile and resolve the variances between amounts reported on the Cash Management Report and amounts reported by the U.S. Treasury.**

Director, Defense Finance and Accounting Service Indianapolis Comments

The Director, Defense Finance and Accounting Service Indianapolis agreed with our recommendation. The Defense Finance and Accounting Indianapolis is developing written procedures to routinely reconcile and resolve the variances between the amounts reported on the Cash Management Report and the amounts reported by the U.S. Treasury. In addition, the Defense Finance and Accounting Service Indianapolis has researched and is documenting the funding variances which are primarily attributable to "Appropriations Unallocated" and has also changed the process for reporting funding on the CMR. Defense Finance and Accounting Service Indianapolis estimated that it will fulfill this recommendation by October 31, 2011.

- b. Coordinate with the Director, Financial Improvement and Audit Readiness, Office of the Under Secretary of Defense (Comptroller) to develop a comprehensive plan for remediating the U.S. Treasury variances that occurred prior to FY 2005.**

Director, Defense Finance and Accounting Service Indianapolis Comments

The Director, Defense Finance and Accounting Service Indianapolis agreed with our recommendation. Defense Finance and Accounting Service Indianapolis Operations will coordinate with the Director, Financial Improvement and Audit Readiness, Office of the Under Secretary of Defense (Comptroller) to develop a comprehensive plan for remediating the U.S. Treasury variances that occurred prior to FY 2005. Defense Finance and Accounting Service Indianapolis estimated that it will fulfill this recommendation by October 31, 2011.

- c. Establish an integrated working group to resolve any ongoing or emerging issues affecting the completeness and accuracy of the Cash Management Report.**

Director, Defense Finance and Accounting Service Indianapolis Comments

The Director, Defense Finance and Accounting Service Indianapolis agreed with our recommendation. Defense Finance and Accounting Service Indianapolis will work with the other Defense Finance and Accounting Service sites to establish an integrated working group to resolve any ongoing or emerging issues affecting the completeness and accuracy of the Cash Management Report. Defense Finance and Accounting Service Indianapolis estimated that it will fulfill this recommendation by October 31, 2011.

d. Develop a process for communicating with Defense Finance and Accounting Service Cleveland to resolve all outstanding undistributed balances resulting from Navy subhead conversions and to timely address any new problems that may occur.

Director, Defense Finance and Accounting Service Indianapolis Comments

The Director, Defense Finance and Accounting Service Indianapolis agreed with our recommendation and stated that additional communication with Defense Finance and Accounting Service Cleveland will be required to alleviate the outstanding undistributed balances resulting from Navy subhead conversions. Defense Finance and Accounting Service Indianapolis will address these issues in the CMR working group discussed in Recommendation 1.c. Defense Finance and Accounting Service Indianapolis estimated that it will fulfill this recommendation by April 30, 2012.

e. Research and correct, with the necessary support from the Other Defense Organizations, any transactions held in suspense accounts in a timely manner.

Director, Defense Finance and Accounting Service Indianapolis Comments

The Director, Defense Finance and Accounting Service Indianapolis agreed with our recommendation and stated that Defense Finance and Accounting Service Indianapolis will ensure that procedures are in place to research, monitor, provide supporting documentation, and inform the customer of any transactions held in suspense in a timely manner. In addition, Defense Finance and Accounting Service plans to design a report that will have the ability to identify and age transactions that pass or fail applicable edit checks. Defense Finance and Accounting Service Indianapolis estimated that it will fulfill this recommendation by April 30, 2012.

f. Report quarterly to the Director, Financial Improvement and Audit Readiness, Office of the Under Secretary of Defense (Comptroller) on its progress in resolving the deficiencies listed in this report.

Director, Defense Finance and Accounting Service Indianapolis Comments

The Director, Defense Finance and Accounting Service Indianapolis agreed with our recommendation and stated that the Defense Finance and Accounting Service Indianapolis will report quarterly to the Director, Financial Improvement and Audit Readiness, Under Secretary of Defense (Comptroller) on its progress in resolving the deficiencies identified in this report. Defense Finance and Accounting Service Indianapolis estimated that it will fulfill this recommendation by October 31, 2011.

Our Response

The comments from the Director, Defense Finance and Accounting Service Indianapolis are responsive, and the planned actions meet the intent of the recommendations.

2. We recommend that the Director, Financial Improvement and Audit Readiness, Under Secretary of Defense (Comptroller) monitor the progress of the integrated working group and ensure personnel responsible for reporting Other Defense Organization's transactions to Defense Finance and Accounting Service Indianapolis are fully participating.

Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller) Comments

The Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller) agreed with our recommendation and stated that the Office of the Under Secretary of Defense (Comptroller) is committed to ensuring that the Defense Finance and Accounting Service Indianapolis has the cooperation necessary to fulfill its obligation to provide a sustainable process for reconciling the Cash Management Report to the U.S. Treasury. The Office of the Under Secretary of Defense (Comptroller) will direct DFAS Indianapolis to draft a schedule of key milestones, assist with evaluating the processes that are recommended, and help with ensuring relevant personnel are fully engaged. The Office of the Under Secretary of Defense (Comptroller) estimated that it will fulfill this recommendation by October 31, 2011.

Our Response

The comments from the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller) are responsive, and the planned actions meet the intent of the recommendation.

Appendix A. Scope and Methodology

We performed this financial audit from January 2010 to June 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Evidence was obtained through the following:

- We reviewed DoD, U.S. Treasury, and DFAS guidance related to the reconciliation of the Fund Balance with Treasury general ledger account.
- We reviewed the FY 2009 ODO General Fund and the DoD Agency-Wide Financial Statements to determine what percentage of the assets reported on the Agency-Wide financial statements were attributable to the ODO FBWT line item.
- We interviewed DFAS Indianapolis personnel to gain an understanding of the processes affecting the CMR. Specifically, we interviewed personnel responsible for processing, reconciling, and reporting ODO disbursement and collection transactions. In addition, we interviewed personnel responsible for recording ODO transactions in the accounting system.
- We calculated the total dollar value of the adjustments that DFAS Indianapolis prepared to bring the amounts reported on the CMR into agreement with the amounts reported by the U.S. Treasury. We then determined whether DFAS Indianapolis personnel could provide adequate documentation to support the adjustments.
- We discussed with DFAS Indianapolis personnel the reasons why transactions are reported in the undistributed limits. In addition, we calculated the dollar value of transactions reported in the undistributed limits as of December 31, 2009.
- We met with DFAS Indianapolis and NSA personnel to discuss the transactions reported in the ODO suspense accounts as of December 31, 2009.
- We interviewed DFAS Cleveland personnel to obtain an understanding of the DFAS Cleveland processes that impact ODO transactions.

Use of Computer-Processed Data

We relied on computer processed data consolidated by HQARS. HQARS is a legacy system scheduled for replacement in FY 2020. DFAS Indianapolis uses HQARS to receive, validate, and consolidate TI 97 budget execution, expenditure, and general ledger balances for the ODOs. DFAS Indianapolis personnel use the data in HQARS to create the CMR. We judgmentally selected appropriations reported on the CMR and verified that DFAS Indianapolis could support the HQARS outputs (summary control totals) with detailed transactions. We did not perform

any further testing to ensure the detailed transactions were accurately recorded. However, the computer processed data was reliable for the purpose of our audit objective.

Prior Coverage

No prior coverage has been conducted on the CMR during the last five years.

Defense Finance and Accounting Service Indianapolis Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS
8899 EAST 56TH STREET
INDIANAPOLIS, INDIANA 46249



JUN 30 2011

DFAS-JBK/IN

MEMORANDUM FOR DIRECTOR, DEPARTMENT OF DEFENSE, OFFICE OF
INSPECTOR GENERAL

SUBJECT: Audit of Data Processes Supporting Fund Balance with Treasury
Reconciliations for Other Defense Organizations, Project No.
D2010-D000FA-0097.000

The Defense Finance and Accounting Service Indianapolis (DFAS-IN) is
providing management comments to recommendations numbers 1a, 1b, 1c, 1d, 1e, and 1f
of the subject audit report along with estimated dates for completion.

My point of contact is [REDACTED].

Edna J. Knight
Director, DFAS Indianapolis

Attachment:
Management Comments

Departmental Reporting: The Defense Finance and Accounting Service Needs to Improve Controls Over the Completeness and Accuracy of the Cash Management Report (Project No. D2010-D000FA-0097.000)

General Management Comments:

The Defense Finance and Accounting Service (DFAS) Indianapolis Operations plans to collaborate with the Director, Financial Improvement and Audit Readiness, Office of the Under Secretary of Defense (Comptroller) to develop and implement a comprehensive Plan of Action and Milestones (POAM) that addresses prior year and current funding variances between the U.S. Treasury and Cash Management Report (CMR). The majority of funding variances between amounts reported on the CMR and amounts reported by the U.S. Treasury results from timing differences involving the CMR reporting timelines. The variance decrease from \$8.4 billion to \$1.1 billion between December 2009 and February 2011 is primarily attributable the Continuing Resolution Authority. An ongoing cleanup effort is underway to further mitigate remaining funding variances. The POAM will address written procedures, workgroup sessions, intensive research efforts, root cause analysis, and new processes that will collectively reduce/eliminate variances between the U.S. Treasury and CMR. This includes implementing an application developed by Technical Services Organization (TSO) to improve the tracking and management of these variances. The estimated completion date for all actions is April 2012.

Management Comments to Recommendations:

Recommendation 1a: Develop and implement written procedures to routinely reconcile and resolve the variances between amounts reported on the Cash Management Report and amounts reported by the U.S. Treasury.

Management Comments: Stakeholder: [REDACTED], [REDACTED]. Concur. DFAS Indianapolis Operations is developing written procedures to routinely reconcile and resolve the variances between amounts reported on the Cash Management Report and amounts reported by the U.S. Treasury. The DoDIG identified \$8.4 billion funding variances between the amounts reported on the December 2009 Cash Management Report (CMR) and the amounts reported by the U.S. Treasury. Indianapolis Operations has researched and is documenting the funding variances which are primarily attributable to "Appropriations Unallocated". Indianapolis Operations has changed its process for reporting funding on the CMR and continues with the validation of the process change. Afterwards, DFAS Indianapolis Operations will prepare written procedures to routinely reconcile and resolve the variances between amounts reported on the Cash Management Report and amounts reported by the U.S. Treasury. Specifically, funding and disbursement/collection variances are being addressed.

Estimated Completion Date: October 31, 2011

Recommendation 1b: Coordinate with the Director, Financial Improvement and Audit Readiness, Office of the Under Secretary of Defense (Comptroller) to develop a comprehensive plan for remediating the U.S. Treasury variances that occurred prior to FY 2005.

Management Comments: Stakeholder: [REDACTED], [REDACTED] Concur. DFAS
Indianapolis Operations will coordinate with the Director, Financial Improvement and Audit Readiness, Office of the Under Secretary of Defense (Comptroller) to develop a comprehensive plan for remediating the U.S. Treasury variances that occurred prior to FY 2005. Currently, a process has been initiated to document the nature of the variances prior to FY 2005. Most of the variances are 'X' year appropriations that relate to data prior to the establishment of the CMR in 1999.

Estimated Completion Date: October 31, 2011

Recommendation 1c: Establish an integrated working group to resolve any ongoing or emerging issues affecting the completeness and accuracy of the Cash Management Report.

Management Comments: Stakeholder: [REDACTED], [REDACTED] Concur. DFAS
Indianapolis Operations will establish an integrated working group to resolve any ongoing or emerging issues affecting the completeness and accuracy of the Cash Management Report. We will work with the other DFAS sites to initiate the working group as it will require resources from all DFAS sites to accomplish the goal.

Estimated Completion Date: October 31, 2011

Recommendation 1d: Develop a process for communicating with the Defense Finance and Accounting Service Cleveland to resolve all outstanding undistributed balances resulting from Navy subhead conversions and to timely address any new problems that may occur.

Management Comments: Stakeholder: [REDACTED], [REDACTED] Concur. DFAS
Indianapolis Operations agrees that additional communication with DFAS Cleveland is required to alleviate outstanding undistributed balances resulting from Navy subhead conversions. Many of the undistributed balances are caused by edit table issues, crosswalk issues or DFAS Cleveland's use of Navy Subheads instead of the established Under Secretary of Defense (Comptroller) limits cited in DFAS Regulation 7097.01. These issues will be addressed in the CMR workgroup that is discussed in Recommendation 1c.

Estimated Completion Date: April 30, 2012

Recommendation 1e: Research and correct, with the necessary support from the Other Defense Organizations, any transactions held in suspense accounts in a timely manner.

Management Comments: Stakeholder: [REDACTED], [REDACTED] Concur. DFAS
Indianapolis Operations will ensure that procedures are in place to research, monitor, provide support documentation, and inform the customer of any transactions held in suspense in a timely manner. Indianapolis Operations has several reports currently in place that monitor and report errors to the Other Defense Organizations (ODOs). Additionally, management plans to design a report that includes transactions that passed edits successfully and those that fail. These procedures will include the ability to track applicable limits and adjustment to balance with Treasury by agency if identifiable as well as an aging mechanism for individual transactions.

Estimated Completion Date: April 30, 2012

Recommendation 1f: Report quarterly to the Director, Financial Improvement and Audit Readiness, Under Secretary of Defense (Comptroller) on its progress in resolving the deficiencies listed in this report.

Management Comments: Stakeholder: [REDACTED], [REDACTED] Concur. DFAS Indianapolis Operations will report quarterly to the Director, Financial Improvement and Audit Readiness, Under Secretary of Defense (Comptroller) on its progress in resolving the deficiencies listed in this report.

Estimated Completion Date: October 31, 2011

Office of the Under Secretary of Defense (Comptroller) Comments



OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

JUL 6 2011

MEMORANDUM FOR DEPUTY DIRECTOR, DOD PAYMENTS AND ACCOUNTING OPERATIONS, DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL

SUBJECT: Response to Draft Audit Report, "Defense Finance and Accounting Service Needs to Improve Controls Over the Completeness and Accuracy of the Cash Management Report (Project No. D2010-D000FA-0097.000)

The subject Department of Defense Office of Inspector General draft audit report addressed one of its recommendations to the Director, Financial Improvement and Audit Readiness. Management comments from the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) in response to Recommendation 2 of the report are attached to this memorandum.

This office concurs with the recommendation. The OUSD(C) will provide oversight to ensure that the Defense Finance and Accounting Service Indianapolis has stakeholder cooperation required to resolve the weaknesses identified in the audit report by the established deadline.

My point of contact in this matter is [REDACTED]. He may be reached by phone at [REDACTED] or by email at [REDACTED].

Mark E. Easton
Deputy Chief Financial Officer

Attachment:
As stated

**Office of the Under Secretary of Defense (Comptroller) (OUSD(C))
Response to Recommendation**

**Department of Defense Office of Inspector General Draft Report,
"Defense Finance and Accounting Service Needs to Improve Controls Over the
Completeness and Accuracy of the Cash Management Report"
(Project No. D2010-D000FA-0097.000)**

Management Comments on Recommendation:

Recommendation 2:

We recommend that the Director, Financial Improvement and Audit Readiness (FIAR), Under Secretary of Defense (Comptroller) monitor the progress of the integrated working group and ensure personnel responsible for reporting Other Defense Organization's transactions to Defense Finance and Accounting Service Indianapolis are fully participating.

Management Comments:

OUSD(C) Action Officer: [REDACTED]

OUSD(C) Response: Concur. The OUSD(C) is committed to ensuring that the Defense Finance and Accounting Service (DFAS) Indianapolis has the cooperation necessary to fulfill its obligation to provide a sustainable process for reconciling the Cash Management Report to the U.S. Treasury in a timely manner. The FIAR Directorate will direct DFAS Indianapolis to draft a schedule of key milestones which will allow it to meet its commitment of October 31, 2011. The FIAR Directorate will assist with evaluating the processes that are recommended, including the issue related to the "appropriations unallocated," in order to expedite any changes needed to aid in the resolution of this weakness. Additionally, the FIAR Directorate will assist with ensuring that relevant personnel are fully engaged.

Estimated Completion Date: October 31, 2011

Attachment



Inspector General Department of Defense

